STRENGTHENING THE SAFETY NET

A FINANCIAL ANALYSIS OF NEW HAMPSHIRE'S COMMUNITY HEALTH CENTERS

Families First of the Greater Seacoast




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Families First of the Greater Seacoast
Financial Analysis 1993-1999

Summary

Families First of the Greater Seacoast has maintained a positive total margin over all but one year (1996) since 1993, although operating and total margins decreased dramatically during the years 1993 to 1996. Families First maintains a current ratio and days cash on hand that are in the top quartile of the CHCs, and has transferred much of its cash into board designated assets. [1] Families First did not repay or issue long-term debt during the period analyzed. [2]

Cash Flows

During the period studied, Families First generated 27.7% of its cash from net income, and 9.2% of cash from accounts payable and accrued expenses. Collection of accounts receivable slowed, using 19.9% of the cash generated. However, the largest sources and uses of cash came with the transfer of existing cash into board-designated assets. Over the seven-year period, board designated assets grew by $250,920, while current cash went down by $206,947. Overall, increases in board-designated funds used 71.1% of cash generated.

Profitability

Both total and operating margins for Families First have fallen rapidly during the first four years analyzed (1993-1996). Although Families First continued to lose money on operations during 1997 and 1998, investment income prevented a net loss. In 1999, Families First had positive total and operating margins, and net income approached that of 1993 and 1994. Charity care as a percentage of gross patient service revenue increased from 16% in 1997 to 25% in 1999 (data available only for 1997-99).

Increases in the organization's operating revenue and expenses have been dramatic during the period analyzed, with the exception of 1996, when operating revenues decreased by 4% and expenses increased by 1%. Net patient service revenue as a percent of total operating expenses declined steadily, from 41% in 1993 to 21% in 1999. This decrease was mirrored by an increase in grants and contracts revenue as a percent of total operating expenses.

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[1] Interest from these board-designated assets is used to fund operating costs.

[2] Families First moved into new quarters - the Community Campus - in 1999. The Community Campus houses a number of health, education and social service organizations that serve area families. These organizations pay below market rents for their space.

Liquidity

The liquidity position of Families First has decreased with its declining profitability and with shifting of cash to non-current, board designated accounts. However, the organization still maintains a current ratio and days cash on hand (both including board designated assets) that is in the top quartile of the CHCs (7.7 and 113.7, respectively). Days in accounts receivable was among the best of the CHCs in 1993 (30.3 days) but has steadily slowed, such that by 1999 Families First was in the slowest quartile for this ratio (132.3 days).

Solvency

During the period analyzed, Families First maintained a steady equity-financing ratio of 84-90%. No long-term debt was issued during this time, and the organization has not purchased property (see footnote 2). Although the cash flow to total debt ratio has been erratic, Families First had sufficient cash on hand to repay existing short-term debt, and to purchase a small amount of equipment.

Source: Audited Financial Statements. Prepared by Jennifer Scott, Paul Giaudrone, and Hyun Ryu under the supervision of Nancy Kane, DBA, Harvard School of Public Health.